26 July 2018

Millennium bcp earnings release as at 30 June 2018

Profitability and efficiency

Improved profitability with strong growth in the activity in Portugal and positive performance of the international activity

- **Net profit of Euro 150.6 million** in the first half of 2018, a **67.5% increase** from **Euro 89.9 million** in the same period of the previous year.
- **Earnings from the activity in Portugal improve significantly** (contribution of Euro 59.0 million in the first six months of 2018, compared to Euro 1.6 million in the same period of 2017).
- **Increase of** 3.1% **in the results from the international activity** (from Euro 87.1 million in the first half of 2017 to Euro 89.9 million in the first half of 2018).

Asset quality

Improved credit quality, with significant reduction of NPEs

- **NPEs significantly down:** Euro -2.1 billion from 30 June 2017 (Euro -1.9 billion in Portugal), Euro -993 million in the first half of 2018 (Euro -841 million in Portugal). **Coverage by loan-loss reserves of 50%,** and an overall coverage* of **106%,** including guarantees.

Business performance

Growth of Customer funds and performing credit portfolio in Portugal; Expansion of Customer base supported by the capture of digital Customers

- **Business volumes up Euro 2.9 billion** from 30 June 2017.
- **Total Customer funds in Portugal grow 7.5%** from 30 June 2017.
- **Growth of the performing credit portfolio in Portugal** of 1.7% from 30 June 2017, with strong focus on digital.
- **+ 103,000 active Customers in Portugal** from 30 June 2017.

Capital

Adequate position

- **Favourable performance of the fully-implemented CET1 ratio, rising to an estimated ratio of 11.7%** as at 30 June 2018 (11.3% as at 30 June 2017). **CET1 phased-in estimated ratio reaches 11.7%** (13.0% in 2017).

*By loan-loss reserves, expected loss gap and collaterals.

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registered at the Commercial Registry of Oporto,
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FINANCIAL HIGHLIGHTS

Euro million

	30 Jun. 18	30 Jun. 17	Change 18/17
BALANCE SHEET			
Total assets	73,100	73,024	0.1%
Loans to customers (gross) (1)	50,468	51,684	-2.4%
Total customer funds (2)	72,458	68,390	5.9%
Balance sheet customer funds	54,674	52,228	4.7%
Resources from customers	53,455	50,636	5.6%
Loans to customers (net) / Resources from customers (3)(4)	88%	95%	
Loans to customers (net) / Balance sheet customer funds (3)	86%	92%	
RESULTS			
Net income	150.6	89.9	67.5%
Net interest income	687.7	678.5	1.3%
Net operating revenues	1,056.8	1,048.8	0.8%
Operating costs	500.8	450.2	11.2%
Operating costs excluding specific items (5)	492.8	473.9	4.0%
Loan impairment charges (net of recoveries)	220.8	305.0	-27.6%
Other impairment and provisions	59.0	110.3	-46.5%
Income taxes			
Current	49.9	54.5	
Deferred	22.0	(11.1)	
PROFITABILITY			
Net operating revenues / Average net assets (4)	2.9%	2.9%	
Return on average assets (ROA) (6)	0.6%	0.4%	
Income before tax and non-controlling interests / Average net assets (4)	0.8%	0.5%	
Return on average equity (ROE)	5.3%	3.3%	
Income before tax and non-controlling interests / Average equity (4)	8.3%	5.8%	
CREDIT QUALITY			
Total impairment (balance sheet) / Loans to customers (1)(7)	6.6%	7.0%	
Cost of risk (net of recoveries, in b.p.)	88	118	
Non-Performing Exposures / Loans to customers (1)	13.2%	17.0%	
Restructured loans / Loans to customers (1)	8.0%	9.6%	
EFFICIENCY RATIOS (4) (5)			
Operating costs / Net operating revenues	46.6%	45.2%	
Operating costs / Net operating revenues (Portugal activity)	48.1%	45.9%	
Staff costs / Net operating revenues	26.7%	25.3%	
CAPITAL (8)			
Rácio common equity tier I phased-in	11.7%	13.0%	
Rácio common equity tier I fully implemented	11.7%	11.3%	
BRANCHES			
Portugal activity	573	596	-3.9%
Foreign activity	550	540	1.9%
EMPLOYEES			
Portugal activity	7,151	7,303	-2.1%
Foreign activity	8,562	8,506	0.7%

(1) Loans to customers (gross) is presented considering the management criteria of the Group. As at 30 June 2018, includes loans to customers at amortised cost before impairment (Euro 50,186 million) and loans to customers at fair value through profit or loss before fair value adjustments (Euro 281 million).

(2) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive (DMIF II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to the end of the first half of 2017 is presented according to the new criteria, on a comparable basis.

(3) Loans to customers (net) corresponds to loans to customers at amortised cost net of impairments (Euro 46.877 million) plus balance sheet value of loans to customers at fair value through profit or loss (Euro 264 million).

(4) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(5) Excludes specific items: related to restructuring costs and the revision of Collective Lab. Agt's in the activity in Portugal (negative impact of Euro 8.0 million in the first half of 2018 and positive impact of Euro 23.7 million in the first half of 2017, both in staff costs).

(6) Considering net income before non-controlling interests.

(7) The amount of impairment considered for the purposes of coverage ratios presented underlies the management criteria adopted by the Group. As at 30 June 2018 includes the balance sheet impairment of loans to customers at amortised cost (Euro 3,310 million) and the fair value adjustments associated to loans to customers at fair value through profit or loss (Euro 17 million).

(8) June 2018 and June 2017 include the accumulated net income of each period. June 2018 figures are estimated.

RESULTS AND ACTIVITY IN THE FIRST HALF OF 2018

On January 1, 2018, IFRS 9 - Financial Instruments entered into force, replacing IAS 39 - Financial Instruments: recognition and measurement, and establishing new rules for the recognition of financial instruments, introducing relevant changes, particularly as regards the methodology for impairment calculation. The adoption of this accounting standard had an impact on the structure of the Millennium bcp financial statements compared to 31 December 2017, largely dictated by the adjustments associated with the transition, and did not materially affect the profit and loss account for the first six months of 2018. Considering the recognition of loans to customers at fair value through profit or loss, some indicators were defined based on management criteria intended to facilitate their respective comparability with prior period information.

In this context, with reference to 30 June 2018, loans to customers includes loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments, while the amount of the impairment considered for the purposes of coverage ratios includes the balance sheet impairment associated with loans to customers at amortised cost and the fair value adjustments associated to loans to customers at fair value through profit or loss.

RESULTS

The **net income** of Millennium bcp rose to Euro 150.6 million, in the first half of 2018, a 67.5% increase from the Euro 89.9 million reached in the same period of the previous year, mainly driven by the performance of the activity in Portugal, but also by the greater contribution of the international activity compared to the first six months of 2017.

In the activity in Portugal, net income was significantly higher than the Euro 1.6 million registered in the first half of 2017, reaching Euro 59.0 million in the first six months of 2018, highlighting the expressive reduction of impairments and provisions.

In the international activity, net income totalled Euro 89.9 million in the first half of 2018 and compares favourably to the Euro 87.1 million obtained in the same period of previous year, benefitting from the positive performance of the operations in Poland and Mozambique, despite the lower contribution of Banco Millennium Atlântico, influenced by the negative impact arising from the application of IAS 29.

Net interest income amounted to Euro 687.7 million in the first six months of 2018 (Euro 678.5 million in the same period of the previous year), supported by the good performance of the international activity.

In the activity in Portugal, net interest income stood at Euro 384.8 million in the first six months of 2018 compared to Euro 390.2 million registered in the first half of the previous year. This performance was conditioned by the reduction in the interest from loans and debt securities portfolios, despite the lower cost of funding, associated with the maintenance of the decreasing trend in costs for term deposits and to repayment of the remaining tranche of CoCo bonds in the first quarter of 2017.

In the international activity, net interest income showed a 5.1% increase from the Euro 288.3 million registered in the first six months of 2017, achieving Euro 302.9 million in the same period of 2018, essentially due to the performance of the subsidiary in Poland.

Net interest margin in the first half of 2018 stood at 2.18%, in line with the amount presented in the same period of the previous year. Net interest margin in the first half of 2017, excluding the impact from the cost of CoCos, reached 2.20%.

AVERAGE BALANCES

Euro million

	30 Jun. 18		30 Jun. 17	
	Amount	Yield %	Amount	Yield %
Deposits in banks	2,575	0.80	2,816	0.95
Financial assets	12,731	2.29	10,698	2.30
Loans and advances to customers	47,503	3.18	48,285	3.33
INTEREST EARNING ASSETS	**62,809**	**2.90**	**61,799**	**3.04**
Non-interest earning assets	10,078		10,554	
	72,887		**72,353**	
Amounts owed to credit institutions	7,410	0.02	9,426	0.22
Resources from customers	52,573	0.61	50,086	0.68
Debt issued	2,903	2.00	3,221	3.12
Subordinated debt	1,147	6.59	992	6.96
INTEREST BEARING LIABILITIES	**64,033**	**0.71**	**63,725**	**0.83**
Non-interest bearing liabilities	2,004		2,203	
Shareholders' equity and non-controlling interests	6,850		6,425	
	72,887		**72,353**	
Net interest margin		2.18		2.18
Net interest margin (excl. cost of CoCos)				2.20

Note: Interest related to hedge derivatives were allocated, in June 2018 and 2017, to the respective balance sheet item.

Net commissions reached Euro 340.2 million in the first six months of 2018, showing a 3.0% increase from the Euro 330.3 million achieved in the first six months of 2017, determined by the favourable performance of the activity in Portugal, where net commissions rose 3.9%, but also induced by the contribution of the international activity which registered a 1.1% growth compared to the first half of 2017, driven by the Polish operation.

The evolution of net commissions in the first six months of 2018 reflects the performance of both banking and market commissions which improved 2.5% and 5.3% respectively, from the figures obtained in the same period of the previous year, boosted by the activity in Portugal and, in what refers to market commissions, also by the international activity.

Net trading income stood at Euro 77.0 million in the first six months of 2018, compared to Euro 89.9 million obtained in the same period of the previous year, reflecting the performance of the activity in Portugal.

Other net operating income, which includes the costs associated with mandatory contributions as well as with the Resolution Fund and the Deposit Guarantee Fund in both Portugal and international activity, was negative by Euro 90.1 million in the first half of 2018 (negative by Euro 86.6 million accounted in the same period of the previous year).

In the activity in Portugal, other net operating income was negative by Euro 58.7 million in the first half of 2018 compared to the also negative Euro 52.9 million registered in the same period of the previous year, mainly reflecting the increase of costs related to mandatory contributions.

In the international activity, other net operating income stood negative by Euro 31.4 million in the first six months of 2018, improving from the also negative Euro 33.7 million accounted in the same period of previous year. This evolution reflects the favourable performance of the subsidiary in Mozambique, mitigated by the performance of the Polish subsidiary, which was conditioned by the increase of mandatory contributions compared to the first half of 2017 and due to recognized gains related to real estate disposal and indemnity received in the first half of 2017.

Dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading, together with **equity accounted earnings**, were up 14.4% from the amount booked in the first half of 2017 and totalled Euro 42.0 million in the first six months of 2018.

OTHER NET INCOME

Euro million

	1H 18	1H 17	Change 18/17
NET COMMISSIONS	**340.2**	**330.3**	**3.0%**
Banking commissions	278.3	271.6	2.5%
Cards and transfers	79.8	75.2	6.1%
Credit and guarantees	81.4	78.5	3.7%
Bancassurance	48.1	47.5	1.3%
Current account related	52.4	52.1	0.6%
Other commissions	16.6	18.2	-9.1%
Market related commissions	61.9	58.8	5.3%
Securities	39.5	38.2	3.6%
Asset management	22.4	20.6	8.4%
NET TRADING INCOME	**77.0**	**89.9**	**-14.3%**
OTHER NET OPERATING INCOME	**(90.1)**	**(86.6)**	**-4.0%**
DIVIDENDS FROM EQUITY INSTRUMENTS	**0.6**	**1.6**	**-61.4%**
EQUITY ACCOUNTED EARNINGS	**41.4**	**35.1**	**17.9%**
TOTAL OTHER NET INCOME	**369.1**	**370.3**	**-0.3%**
Other net income / Net operating revenues	34.9%	35.3%	

Operating costs, excluding the effect of specific items*, stood at Euro 492.8 million in the first half of 2018 compared to Euro 473.9 million in the first six months of 2017, reflecting the increase in both the activity in Portugal and the international activity.

In the activity in Portugal, operating costs, not considering the impact of specific items, amounted to Euro 305.2 million in the first six months of 2018, showing a 3.5% increase from the amount registered in the same period of the previous year, mainly due to the growth of staff costs, conditioned by the salary replacement occurred from July 2017 and, to a lesser extent, to the higher level of depreciation costs, partially offset by other administrative costs savings.

In the international activity, operating costs stood at Euro 187.6 million in the first half of 2018, reflecting an increase of 4.8% from the amount accounted in the same period of 2017, mainly originated by the subsidiary in Poland.

Staff costs, excluding the impact of specific items, totalled Euro 281.8 million in the first six months of 2018 increasing 6.3% from the amount of the same period of previous year, induced by the higher level of costs in both the activity in Portugal and the international activity.

In the activity in Portugal, despite the decrease of 152 employees from 30 June 2017, staff costs excluding the impact of specific items registered an increase of 6.2% from the amount of the first half of 2017, to stand at Euro 179.4 million in the same period of 2018, reflecting the decision of the Board of Directors of the Bank to end, in advance, with effect from 30 June 2017, the temporary adjustment that had been in force since July 2014, following the full reimbursement of CoCos.

***** Specific items related to restructuring costs and the revision of Collective Lab. Agt's in the activity in Portugal (negative impact of Euro 8.0 million in the first half of 2018 and positive impact of Euro 23.7 million in the first half of 2017, both in staff costs).

In the international activity, staff costs stood at Euro 102.4 million in the first six months of 2018, increasing 6.3% from Euro 96.4 million in the same period of the previous year, due to the operation in Poland.

Other administrative costs were in line with the amount accounted in the first six months of 2017, totalling Euro 182.7 million in the same period of 2018, benefiting from lower costs in the activity in Portugal, mainly due to cost containment measures, namely the resizing of the distribution network, from 596 branches at the end of June 2017 to 573 at the end of June 2018. This trend was offset by the growth of other administrative costs in the international activity compared to the amounts of the first half of 2017, determined by the higher level of costs at the subsidiary in Poland.

Depreciation costs totalled Euro 28.4 million in the first half of 2018, registering an increase of 8.5% from Euro 26.1 million accounted in the first six months of the previous year, mainly concentrated in the activity in Portugal, namely related to software and IT equipment, but also to a lesser extent in the international activity, highlighting the evolution of depreciation costs recognized by the subsidiary in Mozambique.

OPERATING COSTS

Euro million

	1H 18	1H 17	Change 18/17
Staff costs	281.8	265.2	6.3%
Other administrative costs	182.7	182.6	0.0%
Depreciation	28.4	26.1	8.5%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**492.8**	**473.9**	**4.0%**
OPERATING COSTS	**500.8**	**450.2**	**11.2%**
Of which:			
Portugal activity (1)	305.2	294.8	3.5%
Foreign activity	187.6	179.1	4.8%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) showed a 27.6% decrease from the Euro 305.0 million accounted in the first six months of 2017, totalling Euro 220.8 million in the same period of 2018, mainly due to the positive performance of the activity in Portugal but also to the international activity, which benefited from the favourable performance of all subsidiaries, highlighting the contribution of the operations in Poland and Mozambique.

The Group's cost of risk showed a favourable change, from 118 basis points in the first half of 2017 to 88 basis points in the same period of 2018.

Other impairment and provisions stood at Euro 59.0 million in the first half of 2018, showing a significant decrease from Euro 110.3 million accounted in the same period of previous year, reflecting essentially the lower level of other financial and non-financial assets of the Group.

Income tax (current and deferred) amounted to Euro 71.9 million in the first half of 2018, which compares to Euro 43.4 million obtained in the same period of 2017, including, in the first half of 2018, current tax costs of Euro 49.9 million (cost of Euro 54.5 million in the first half of 2017), and deferred tax costs of Euro 22.0 million (income of Euro 11.1 million in the first six months of 2017).

BALANCE SHEET

Total assets stood at Euro 73,100 million as at 30 June 2018, comparing to Euro 73,024 million as at 30 June 2017, highlighting the growth of the securities portfolio and deposits at Central Banks partially offset by the reduction of the loans to customers portfolio.

Loans to customers (gross) amounted to Euro 50,468 million as at 30 June 2018, comparing to Euro 51,684 million presented in the same date of the previous year, due to the performance of the activity in Portugal.

In the activity in Portugal, loans to customers registered a 3.5% decrease from the Euro 38,709 million recorded as at 30 June 2017, to stand at Euro 37,350 million as at 30 June 2018. It is worth noting that this performance was determined by the strong pace of reduction of NPEs (Euro -1.9 million from 30 June 2017), to Euro 5.9 billion as at 30 June 2018 despite the favourable trend of performing loans in the first six months of 2018.

In this context, it is worth noting the increase in new consumer and mortgage loans from the first half of 2017, reflecting the significant development of digital channels in this period.

In the international activity, loans to customers amounted to Euro 13,118 million as at 30 June 2018, which compares with Euro 12,975 million in the same date of the previous year, with the increase in the subsidiary in Poland being partially compensated by the decrease in Mozambique.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of June 2017 and 2018, with loans to companies representing 46% of total loans to customers as at 30 June 2018.

Credit quality showed a favourable performance, as evidenced by the improvement in the respective indicators, with a generalized increase of coverage for impairment. In this context, it is particularly important to mention the reinforcement of the coverage of NPEs for impairments, which stood at 49.9% on 30 June 2018, compared to 41.3% on 30 June 2017. In Portugal, the same ratio increased from 40.5% on June 30 of the previous year to 47.5% on the same date of 2018.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Jun. 18	30 Jun. 17	Change 18/17
INDIVIDUALS	**27,270**	**27,468**	**-0.7%**
Mortgage	23,365	23,678	-1.3%
Consumer and others	3,905	3,790	3.0%
COMPANIES	**23,198**	**24,216**	**-4.2%**
Services	8,826	9,277	-4.9%
Commerce	3,448	3,295	4.6%
Construction	2,244	2,779	-19.2%
Others	8,679	8,865	-2.1%
TOTAL	**50,468**	**51,684**	**-2.4%**
Of which:			
Portugal activity	37,350	38,709	-3.5%
Foreign activity	13,118	12,975	1.1%

CREDIT QUALITY INDICATORS

	Stock of loans (Euro million)		As percentage of loans to customers (1)		Coverage by impairments (2)	
	30 Jun. 18	30 Jun. 17	30 Jun. 18	30 Jun. 17	30 Jun. 18	30 Jun. 17
OVERDUE LOANS > 90 DAYS						
Group	2,645	3,288	5.2%	6.4%	125.8%	110.1%
Activity in Portugal	2,360	2,985	6.3%	7.7%	119.1%	106.0%
NON-PERFORMING LOANS (NPL) > 90 DAYS						
Group	4,032	5,040	8.0%	9.8%	82.5%	71.8%
Activity in Portugal	3,561	4,558	9.5%	11.8%	78.9%	69.4%
NON-PERFORMING EXPOSURES (NPE)						
Group	6,665	8,761	13.2%	17.0%	49.9%	41.3%
Activity in Portugal	5,913	7,816	15.8%	20.2%	47.5%	40.5%

(1) Loans to customers (gross) is presented considering the management criteria of the Group. As at 30 June 2018, includes loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments.
(2) The amount of impairment considered for the purposes of coverage ratios presented underlies the management criteria adopted by the Group. As at 30 June 2018 includes the balance sheet impairment of loans to customers at amortised cost and the fair value adjustments associated to loans to customers at fair value through profit or loss.

Total customer funds(*) showed a 5.9% increase from Euro 68,390 million registered as at 30 June 2017, reaching Euro 72,458 million as at 30 June 2018, mainly originated in the activity in Portugal, benefiting also from the positive performance of the international activity. The growth of customer funds reflects both the 4.7% increase registered in balance sheet customer funds compared to 30 June 2017, boosted by the growth in resources from customers (5.6% in the same period), and the favourable performance of off-balance sheet customer funds which went up 10.0% from 30 June 2017.

In the activity in Portugal, total customers funds increased 7.5% comparing to Euro 49,369 million accounted at 30 June 2017, reaching Euro 53,049 million as at 30 June 2018, highlighting the Euro 2,643 million growth in resources from customers and the 10,8% increase of off-balance sheet customer funds from 30 June 2017.

Total customer funds in the international activity rose to Euro 19,409 million as at 30 June 2018, an increase of 2.0% from to Euro 19,021 million as at 30 June 2017, reflecting primarily the growth in assets placed with customers and in resources from customers in the subsidiary in Poland.

As at 30 June 2018, balance sheet customer funds represented 75% of total customer funds, with resources from customers representing 74% of total customer funds.

According to the Bank of Portugal's Instruction no. 16/2004, the loans to deposits ratio improved from 95% as at 30 June 2017 to 88% as at 30 June 2018. The same ratio, considering on-balance sheet customers' funds, stood at 86% (92% as at 30 June 2017).

(*) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive (DMIF II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to the end of the first half of 2017 is presented according to the new criteria, on a comparable basis.

TOTAL CUSTOMER FUNDS

Euro million

	30 Jun. 18	30 Jun. 17	Change 18/17
BALANCE SHEET CUSTOMER FUNDS	**54,674**	**52,228**	**4.7%**
Resources from customers	53,455	50,636	5.6%
Debt securities	1,219	1,592	-23.4%
OFF-BALANCE SHEET CUSTOMER FUNDS	**17,784**	**16,162**	**10.0%**
Assets under management	5,295	4,793	10.5%
Assets placed with customers	4,260	3,407	25.0%
Insurance products (savings and investment)	8,228	7,963	3.3%
TOTAL	**72,458**	**68,390**	**5.9%**
Of which:			
Portugal activity	53,049	49,369	7.5%
Foreign activity	19,409	19,021	2.0%

The **securities portfolio** stood at Euro 15,329 million as at 30 June 2018, compared to Euro 13,967 million posted at the same date of the previous year, representing 21.0% of total assets as at 30 June 2018, above the 19.1% observed as at 30 June 2017. This evolution reflects essentially the performance of the activity in Portugal and also, in a lesser extent, the international activity, highlighting the operation in Mozambique.

LIQUIDITY MANAGEMENT

In the first half of 2018, the consolidated wholesale funding decreased Euro 0.4 billion, mainly attributable to the increase in the portfolio of Portuguese public debt (Euro 2.2 billion, according to the Liquidity plan for 2018) and the reduction in the commercial gap in Portugal (Euro 2.2 billion), as well as the decrease of the market funding needs of Bank Millennium (Euro 0.3 billion), among other changes with lower level of materiality.

Still on a consolidated basis, the decrease in liquidity needs was achieved mainly by the decrease in the funding through repurchase agreement (REPO) of Euro 0.3 billion, for a total balance of Euro 0.5 billion. The funding with the ECB remained unchanged at Euro 4.0 billion, corresponding to the balance of the targeted long term refinancing operations, or TLTRO.

The net funding with the ECB stood at Euro 3.1 billion, reflecting a Euro 0.1 billion decrease compared with the previous quarter, and below the average balance maintained during 2017 with the Eurosystem.

The liquidity buffer with the ECB grew to Euro 12.5 billion, Euro 2.8 billion more than in December 2017. Taking into account other assets that are highly liquid or easily converted into eligible collateral with the ECB in the short term, the buffer would amount to Euro 14.1 billion (Euro 11.1 billion at the end of 2017).

CAPITAL

The estimated CET1 ratio as at 30 June 2018 on a phased-in and on a fully-implemented basis stood at 11.7%, -125 basis points and +32 basis points, respectively, comparing to the 13.0% and 11.3% ratios recorded in the same period of 2017 and above the minimum ratios defined in the SREP(1) for 2018 (CET1 8.81%, T1 10.31% and Total 12.31%).

The favourable evolution of CET1 on a fully-implemented basis was mainly determined by net income and by the higher level of fair value reserves, partially mitigated by the IFRS9 adoption impact, by the deduction of irrevocable payment commitments for the Resolution Fund and the Deposits Guarantee Fund and by the increase of the Risk Weighted Assets. The fully implemented total capital ratio additionally benefited from subordinated bond placements in Poland and Portugal.

SOLVENCY RATIOS

Euro million

	30 Jun. 18	30 Jun. 17
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	4,863	4,275
Tier 1	4,940	4,340
Total Capital	**5,546**	**4,681**
Risk weighted assets	**41,713**	**37,720**
Solvency ratios		
CET1	11.7%	11.3%
Tier 1	11.8%	11.5%
Total capital	13.3%	12.4%
PHASED-IN		
CET1	11.7%	13.0%

Note: The capital ratios of June 2018 are estimated and include the positive accumulated net income.
The capital ratios of June 2017 include the positive accumulated net income.

(1) Supervisory Review and Evaluation Process.

SIGNIFICANT EVENTS

Millennium bcp continued to implement its Strategic Plan. Highlights during this period include:

- The conclusion, on May 30, 2018, with 63.04% of the share capital represented, of the Annual General Meeting of Shareholders, being noteworthy, within the resolutions, the approval of the individual and consolidated annual report, balance sheet and financial statements of 2017 and the approval of the proposal for the appropriation of profits from 2017; the election of the Board of Directors for the term-of-office beginning in 2018, including the Audit Committee; and the election of the Remuneration and Welfare Board for the term-of-office beginning in 2018.

- Signature of a Clearing and Settlement of Renminbi Business agreement with the Bank of China Macau, reinforcing its presence in the Chinese market and becoming the first bank in Portugal to be considered a Participating Bank with access to Macau's payments system.

- Signature of a Memorandum of Understanding between Banco Comercial Português and the Industrial and Commercial Bank of China, renewing the cooperation agreement signed in 2010.

- Signature of the Acquiring Contract between Banco Comercial Português and Alipay, resulting from the Memorandum of Understanding agreed in March 2018, covering cooperation in the Portuguese market, with Millennium bcp becoming the first bank to facilitate transactions between Chinese travellers and merchants in Portugal.

- Launching of the 2nd edition of the "Millennium Horizontes Awards", an initiative that is part of the bank's strategy to promote exports, internationalization and innovation, developed in partnership with Global Media Group, COTEC (Business Association for Innovation), AICEP (Portugal's business development agency) and Católica University.

- Millennium bcp became the first Portuguese bank to join the Euronext Vigeo Eurozone 120 Index, which includes 11 other Euro Zone banks.

- Miguel Bragança was elected the best CFO for Investor Relations in Portugal by Extel.

- Millennium bim named "Best Bank in Mozambique 2018" for the 9th consecutive year by the international magazine Global Finance.

- Bank Millennium was one of the winners of the 6th edition of The Innovators annual contest, organized by Global Finance magazine.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) forecasts that in 2018 the growth of the world economy should remain robust and exhibit a high synchronization among the main world economies, notwithstanding the prevalence of serious risks, which range from a protectionist escalation to an aggravation of the global monetary conditions.

After an expansion of 2.4% in 2017, the euro area's GDP should see a slight slowdown in 2018, with the European Commission forecasting a growth of 2.3%, built on balanced contributions from the major components of the aggregate demand. The fact that economic activity has unequivocally maintained a growth level above its potential, a trend that is seen extending to 2019, should justify a further normalization of monetary policy by the European Central Bank (ECB), albeit at a gradual pace given the absence of inflationary pressures. In this context, the ECB announced its intention to terminate the asset purchase programme at the end of 2018, but has pledged not to alter the levels of interest rates until the summer of 2019.

In the US, the set of fiscal stimuli implemented by President Donald Trump is generating a very significant momentum on economic activity. The reduction of corporate taxes is incentivising investment, job creation and the rise in wages, which together with lower taxes on household income is having a positive effect on the expansion of private consumption. Such developments led the Federal Reserve to maintain its policy of increasing the key interest rate, having raised it from 1.75% to 2.00%, and to intensify the pace of reduction of the amount of debt securities accumulated onto its balance sheet during the quantitative easing (QE) programmes.

The evolution of the international financial markets during the first half of 2018 was characterized by the return of volatility, in a climate in which the optimism implicit in the valuation of the main asset classes was affected by the resurgence of protectionism and by the increase of long term interest rates. The combination of these circumstances turned out to be particularly adverse for the emerging markets, where currencies registered substantial levels of depreciation, especially against the US dollar. The government arrangement reached in Italy, by reigniting fears of EMU fragmentation turned out to be another important source of instability for the international financial markets, with negative impacts on the value of the euro against the US dollar and the Yen. The euro money market interest rates remained stable, in negative territory for all the maturities.

After growing 2.7% in 2017, in the first quarter of 2018, the yearly rate of change of Portuguese GDP stood at 2.1%, representing a slight slowdown of the economic activity in comparison to the previous quarter (2.4%), which was due to the deceleration of exports, since the domestic demand remained robust, supported by the increased pace of private consumption and investment. In this context of on-going dynamism, the unemployment rate decreased from 8.1% to 7.9% in the first quarter, the lowest level since 2008. For the coming quarters Portuguese GDP is expected to maintain a growth rate slightly above 2.0%, according to the forecasts of the major international institutions. On the financial markets front, the political uncertainty in Italy led to an increase in the yields of the Portuguese public debt and the deterioration of the spread against their better rated European counterparts.

In Poland, the economic activity continues to show signs of vigour. In the first quarter of 2018, GDP grew 5.0% in annual terms, corresponding to an acceleration compared to the growth of the preceding quarter (4.4%), which benefitted from the expansion of consumption and the recovery of investment as the contribution of the net external demand was negative. The favourable evolution of economic activity, alongside an inflation rate compatible with the Central Bank's target has allowed monetary policy to remain unchanged. Notwithstanding the good performance of the Polish economy, the Zloty depreciated, penalized by the increase in volatility in international financial markets.

In Mozambique, economic growth has remained moderate, supported by the widespread expansion of the main economic sectors, and the inflation rate has kept stable. This macroeconomic climate has reflected positively on the exchange rate of the Metical, which has appreciated vis-a-vis the major international currencies. In Angola, the trajectory of depreciation of the Kwanza has intensified in the second quarter in the wake of the ongoing transition to a more flexible foreign exchange regime.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Jun. 18	Jun. 17	Change 18/17	Jun. 18	Jun. 17	Change 18/17	Jun. 18	Jun. 17	Change 18/17
INCOME STATEMENT									
Net interest income	687.7	678.5	1.3%	384.8	390.2	-1.4%	302.9	288.3	5.1%
Dividends from equity instruments	0.6	1.6	-61.4%	0.1	1.1	-93.8%	0.6	0.5	1.1%
Net fees and commission income	340.2	330.3	3.0%	234.0	225.2	3.9%	106.3	105.1	1.1%
Net trading income	77.0	89.9	-14.3%	45.8	59.0	-22.4%	31.2	30.9	1.1%
Other net operating income	(90.1)	(86.6)	-4.0%	(58.7)	(52.9)	-11.1%	(31.4)	(33.7)	7.0%
Equity accounted earnings	41.4	35.1	17.9%	28.6	19.3	48.0%	12.8	15.8	-19.1%
Net operating revenues	**1,056.8**	**1,048.8**	**0.8%**	**634.4**	**641.9**	**-1.2%**	**422.3**	**406.9**	**3.8%**
Staff costs	289.8	241.5	20.0%	187.4	145.1	29.1%	102.4	96.4	6.3%
Other administrative costs	182.7	182.6	0.0%	107.9	109.9	-1.8%	74.8	72.7	2.9%
Depreciation	28.4	26.1	8.5%	17.9	16.1	11.5%	10.4	10.0	3.8%
Operating costs	**500.8**	**450.2**	**11.2%**	**313.2**	**271.1**	**15.5%**	**187.6**	**179.1**	**4.8%**
Operating costs excluding specific items	492.8	473.9	4.0%	305.2	294.8	3.5%	187.6	179.1	4.8%
Profit before impairment and provisions	**556.0**	**598.6**	**-7.1%**	**321.2**	**370.8**	**-13.4%**	**234.7**	**227.8**	**3.0%**
Loans impairment (net of recoveries)	220.8	305.0	-27.6%	191.8	257.7	-25.6%	29.1	47.3	-38.5%
Other impairment and provisions	59.0	110.3	-46.5%	49.6	112.3	-55.9%	9.4	(2.0)	>200%
Profit before income tax	**276.2**	**183.3**	**50.7%**	**79.9**	**0.8**	**>200%**	**196.3**	**182.5**	**7.5%**
Income tax	71.9	43.4	65.5%	25.1	(0.6)	>200%	46.8	44.0	6.3%
Income after income tax from continuing operations	**204.3**	**139.9**	**46.1%**	**54.8**	**1.3**	**>200%**	**149.5**	**138.5**	**7.9%**
Income arising from discontinued operations	1.8	1.3	40.0%	–	–	-	–	–	-
Non-controlling interests	55.4	51.2	8.2%	(4.2)	(0.2)	<200%	59.6	51.4	16.0%
Net income	**150.6**	**89.9**	**67.5%**	**59.0**	**1.6**	**>200%**	**89.9**	**87.1**	**3.1%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	73,100	73,024	0.1%	53,194	53,240	-0.1%	19,906	19,784	0.6%
Total customer funds (1)	**72,458**	**68,390**	**5.9%**	**53,049**	**49,369**	**7.5%**	**19,409**	**19,021**	**2.0%**
Balance sheet customer funds	**54,674**	**52,228**	**4.7%**	**38,612**	**36,334**	**6.3%**	**16,062**	**15,894**	**1.1%**
Resources from customers	53,455	50,636	5.6%	37,486	34,843	7.6%	15,968	15,793	1.1%
Debt securities	1,219	1,592	-23.4%	1,126	1,491	-24.4%	93	102	-8.2%
Off-balance sheet customer funds	**17,784**	**16,162**	**10.0%**	**14,437**	**13,035**	**10.8%**	**3,347**	**3,127**	**7.0%**
Assets under management	5,295	4,793	10.5%	3,024	2,524	19.8%	2,271	2,268	0.1%
Assets placed with customers	4,260	3,407	25.0%	3,702	3,054	21.2%	558	353	58.2%
Insurance products (savings and investment)	8,228	7,963	3.3%	7,710	7,456	3.4%	519	506	2.4%
Loans to customers (gross) (2)	**50,468**	**51,684**	**-2.4%**	**37,350**	**38,709**	**-3.5%**	**13,118**	**12,975**	**1.1%**
Individuals	**27,270**	**27,468**	**-0.7%**	**19,101**	**19,347**	**-1.3%**	**8,169**	**8,120**	**0.6%**
Mortgage	23,365	23,678	-1.3%	17,065	17,314	-1.4%	6,301	6,364	-1.0%
Consumer and others	3,905	3,790	3.0%	2,036	2,033	0.2%	1,869	1,757	6.4%
Companies	**23,198**	**24,216**	**-4.2%**	**18,249**	**19,361**	**-5.7%**	**4,948**	**4,855**	**1.9%**
CREDIT QUALITY									
Total overdue loans	2,764	3,704	-25.4%	2,412	3,355	-28.1%	352	348	1.1%
Overdue loans by more than 90 days	2,645	3,288	-19.5%	2,360	2,985	-20.9%	285	302	-5.9%
Overdue loans by more than 90 days / Loans to customers	5.2%	6.4%		6.3%	7.7%		2.2%	2.3%	
Total impairment (balance sheet) (3)	3,327	3,618	-8.0%	2,810	3,165	-11.2%	517	453	14.2%
Total impairment (balance sheet) / Loans to customers	6.6%	7.0%		7.5%	8.2%		3.9%	3.5%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	125.8%	110.1%		119.1%	106.0%		181.7%	149.7%	
Non-Performing Exposures	6,665	8,761	-23.9%	5,913	7,816	-24.3%	752	944	-20.4%
Non-Performing Exposures / Loans to customers	13.2%	17.0%		15.8%	20.2%		5.7%	7.3%	
Restructured loans	4,061	4,947	-17.9%	3,498	4,428	-21.0%	563	519	8.5%
Restructured loans / Loans to customers	8.0%	9.6%		9.4%	11.4%		4.3%	4.0%	
Cost of risk (net of recoveries, in b.p.)	88	118		103	133		45	73	
Cost-to-income (4)	46.6%	45.2%		48.1%	45.9%		44.4%	44.0%	

(1) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive (DMIF II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to the end of the first half of 2017 is presented according to the new criteria, on a comparable basis.
(2) Loans to customers (gross) is presented considering the management criteria of the Group. As at 30 June 2018, includes loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments .
(3) The amount of impairment considered for the purposes of coverage ratios presented underlies the management criteria adopted by the Group. As at 30 June 2018 includes the balance sheet impairment of loans to customers at amortised cost and the fair value adjustments associated to loans to customers at fair value through profit or loss.
(4) Excludes the impact of specific items.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2018 AND 2017

(Thousands of euros)

	30 June 2018	30 June 2017
Interest and similar income	935,949	956,582
Interest expense and similar charges	(248,294)	(278,083)
NET INTEREST INCOME	687,655	678,499
Dividends from equity instruments	620	1,605
Net fees and commissions income	340,214	330,324
Net gains / (losses) arising from trading and hedging activities	31,820	58,596
Net gains / (losses) arising from financial assets at fair value through other comprehensive income	45,198	31,308
Net gains from insurance activity	1,655	2,713
Other operating income / (loss)	(103,423)	(85,869)
TOTAL OPERATING INCOME	1,003,739	1,017,176
Staff costs	289,775	241,480
Other administrative costs	182,674	182,609
Amortizations and depreciations	28,351	26,119
TOTAL OPERATING EXPENSES	500,800	450,208
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	502,939	566,968
Loans impairment	(220,821)	(304,990)
Other financial assets impairment	5,058	(31,926)
Other assets impairment	(34,890)	(61,267)
Goodwill impairment of subsidiaries	-	(4)
Impairment for investments in associated companies	(6,583)	(9,006)
Other provisions	(22,568)	(8,109)
NET OPERATING INCOME / (LOSS)	223,135	151,666
Share of profit of associates under the equity method	41,383	35,104
Gains / (losses) arising from sales of subsidiaries and other assets	11,654	(3,466)
NET INCOME / (LOSS) BEFORE INCOME TAXES	276,172	183,304
Income taxes		
Current	(49,905)	(54,548)
Deferred	(21,990)	11,109
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	204,277	139,865
Income arising from discontinued or discontinuing operations	1,750	1,250
NET INCOME AFTER INCOME TAXES	206,027	141,115
Net income for the period attributable to:		
Bank's Shareholders	150,643	89,928
Non-controlling interests	55,384	51,187
NET INCOME FOR THE PERIOD	206,027	141,115
Earnings per share (in Euros)		
Basic	0.020	0.015
Diluted	0.020	0.015

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018 AND 2017 AND 31 DECEMBER 2017

(Thousands of euros)

	30 June 2018	31 December 2017	30 June 2017
ASSETS			
Cash and deposits at Central Banks	2,165,774	2,167,934	1,650,857
Loans and advances to credit institutions			
Repayable on demand	240,576	295,532	491,497
Other loans and advances	878,421	1,065,568	895,899
Loans and advances to customers	46,876,615	47,633,492	48,065,976
Other financial assets at amortised cost	1,061,479	411,799	451,254
Financial assets held for trading	1,037,182	897,734	973,978
Other financial assets not held for trading mandatorily at fair value through profit or loss	1,386,407	-	-
Other financial assets designated at fair value through profit or loss	32,938	142,336	141,973
Financial assets at fair value through other comprehensive income	12,049,794	11,471,847	12,384,733
Assets w ith repurchase agreement	24,895	-	15,419
Hedging derivatives	95,722	234,345	113,860
Investments in associated companies	488,600	571,362	596,005
Non-current assets held for sale	2,101,478	2,164,567	2,223,967
Investment property	12,098	12,400	12,293
Other tangible assets	487,759	490,423	487,425
Goodw ill and intangible assets	171,596	164,406	164,293
Current tax assets	26,977	25,914	7,576
Deferred tax assets	2,938,089	3,137,767	3,165,443
Other assets	1,023,760	1,052,024	1,181,290
TOTAL ASSETS	73,100,160	71,939,450	73,023,738
LIABILITIES			
Resources from credit institutions	6,985,804	7,487,357	9,373,181
Resources from customers	53,454,613	51,187,817	50,635,749
Debt securities issued	2,602,098	3,007,791	3,121,425
Financial liabilities held for trading	340,036	399,101	476,192
Hedging derivatives	192,159	177,337	289,292
Provisions	325,928	324,158	339,096
Subordinated debt	1,151,701	1,169,062	850,603
Current tax liabilities	7,279	12,568	8,912
Deferred tax liabilities	4,406	6,030	1,635
Other liabilities	1,149,219	988,493	981,941
TOTAL LIABILITIES	66,213,243	64,759,714	66,078,026
EQUITY			
Share capital	5,600,738	5,600,738	5,600,738
Share premium	16,471	16,471	16,471
Preference shares	59,910	59,910	59,910
Other equity instruments	2,922	2,922	2,922
Legal and statutory reserves	264,608	252,806	252,806
Treasury shares	(291)	(293)	(279)
Fair value reserves	35,179	82,090	(23,262)
Reserves and retained earnings	(327,756)	(120,220)	(51,314)
Net income for the period attributable to Bank's Shareholders	150,643	186,391	89,928
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,802,424	6,080,815	5,947,920
Non-controlling interests	1,084,493	1,098,921	997,792
TOTAL EQUITY	6,886,917	7,179,736	6,945,712
	73,100,160	71,939,450	73,023,738

GLOSSARY

Balance sheet impairment – Balance sheet impairment related to amortised cost and fair value adjustments related to loans to customers at fair value through profit or loss.

Balance sheet customer funds - debt securities and customer deposits.

Commercial gap –loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core net income - corresponding to net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in bp) - ratio of impairment charges (net of recoveries) accounted in the period to loans to customers at amortised cost before impairment.

Cost to core income - operating costs divided by core income (net interest income and net fees and commissions income).

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing loans by balance sheet impairments – BS impairments divided by the stock of NPL.

Coverage of non-performing exposures by balance sheet impairments – BS impairments divided by the stock of NPE.

Debt securities - debt securities issued by the Bank and placed with customers.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Insurance products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Loans to customers (gross) – Loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - Loans to customers at amortised cost net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – Loans to customers (net) divided by total customer deposits.

Loan to value ratio (LTV) – Mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from financial assets at fair value through other comprehensive income and financial assets at amortised cost.

Non-performing exposures (NPE, according to EBA definition) – Non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired.

Non-performing loans (NPL) – Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income – net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans - loans in arrears, including principal and interests.

Overdue loans by more than 90 days coverage ratio - BS impairments divided by total amount of overdue loans including installments of capital and interest overdue more than 90 days.

Overdue loans coverage ratio – BS impairments divided by total amount of overdue loans including installments of capital and interest overdue.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average total assets.

Return on average assets (ROA) – Net income (before minority interests) divided by the average total assets.

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average attributable equity + non-controlling interests.

Return on equity (ROE) – Net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

Securities portfolio - financial assets held for trading, financial assets not held for trading mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, assets with repurchase agreement, other financial assets at amortised cost and other financial assets held for trading at fair value through profit or loss.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds, assets under management, assets placed with customers and investment funds.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.

The interim condensed consolidated financial statements, for the six month period ended 30 June 2018, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

The figures presented do not constitute any form of commitment by BCP in regard to future earnings.

June 2018 and June 2017 figures were not audited.